

## **FINANCIAL POLICIES**

Seminole County's FY 2001/02 & FY 2002/03 budgets were developed using the Financial Policies defined in this segment of the budget document. The Financial Policies were established to facilitate management actions on financial decisions, as well as to assist readers in understanding County finances.

These policy statements apply to County funds in general. Federal, state and local laws, regulations and standards and specific financial policies may supersede these statements.

The benefits derived from consolidated financial policies include:

The availability of a concise reference guide for consideration in decisions associated with County financial matters.

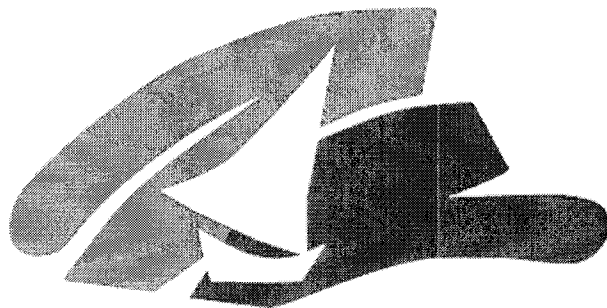
Re-direction of the financial focus to the over-all financial condition of the county rather than to a narrow focus on single issues.

Communication of a commitment to sound financial management and fiscal integrity, and strengthening credibility and confidence aspects for citizens, investors and rating agencies.

Demonstration of compliance with applicable Florida statutory requirements.

The Financial Policies on the following pages are grouped into the following categories:

- Budget Policies
- Revenue Policies
- Expenditure Policies
- Reserve Policies
- Debt Policies
- Capital Improvement Policies



## **BUDGET POLICIES:**

### **Balanced Budget**

The County's annual budget shall be balanced; that is, total estimated receipts, including balances brought forward, shall equal total appropriations and reserves (Florida Statutes 129.01(2)(b)).

### **Budget Adoption**

The Board of County Commissioners shall adopt the County's annual budget at a fund level.

### **Estimates of Receipts**

Estimated receipts shall include 95% of all receipts reasonably anticipated from all sources, including taxes to be levied, and 100% of balance to be brought forward at the beginning of the fiscal year (Florida Statutes, 129.01(2)(b) and 200.065(2)(a)).

### **Contingencies**

A reserve for contingencies will be budgeted in operating and capital funds, amounts not to exceed 10% of the total budget, for reallocation by the Board of County Commissioners as needed to fund unforeseen needs during the budget year (Florida Statutes, 129.01(2)(c)(1)).

### **Reserve for Cash Carry Forward**

A reserve for cash forward will be budgeted in any fund which requires monies to be carried forward into the budget year to support operations until sufficient current revenues are received. This reserve will not exceed 20% of the

budget (Florida Statutes, 129.01(2)(c)(2)).

### **Budget Transfers**

The County Manager has authority to approve intradepartmental transfers (excluding capital expenditures) up to \$25,000, and the Fiscal Services Department Director up to \$2,500. A report must be submitted periodically to the Board of County Commissioners detailing each intradepartmental transfer so authorized. All budget transfers impacting the capital budget including new equipment over \$750 and utilizing capital savings for items not approved in the budget, interdepartmental transfers and transfers out of contingency accounts or reserves require approval of the Board of County Commissioners.

### **New Positions**

Submission of partial year funding requests for new permanent full time positions is prohibited unless specifically authorized by the Board of County Commissioners as a special or emergency need.

### **Emergency Budget Policy**

In order to be fiscally prepared for all emergencies (either economic, natural disaster, or act of war), a budgetary procedure shall be in place to deal with emergency situations.

Upon adoption of the annual budget, all Directors, in cooperation with the Fiscal Services Department, shall develop a plan to decrease overall expenditures for that fiscal year by 5% not later than December 1.

Fiscal Services Department Director shall review items to be decreased for overall operational impact and legal authority.

A summary report identifying emergency budget decreases shall be prepared by Fiscal Services outlining items and financial savings and submitted to the County Manager by January 1.

County Manager shall monitor economic trends.

County Manager shall monitor the emergency situation and provide the Board of County Commissioners (BCC) daily, weekly, or monthly updates, depending on the type of emergency, in order to provide the BCC with timely financial information.

The County Manager shall report emergency situations to the BCC as soon as possible and all Department Directors notified as soon thereafter as possible.

If an emergency budget is needed, based on the type or level of emergency, the County Manager shall notify the BCC of the impending emergency and request authorization to implement an emergency budget.

BCC shall authorize change from emergency budget status to adopted budget status.

## **REVENUE POLICIES:**

### **General Revenue Policy**

Generally, the County reviews estimated revenue and fee schedules as part of the budget process. Estimated revenue is conservatively projected (at 95% of estimate) for five (5) years and is updated annually. Proposed rate increases are based upon the following:

Fee policies applicable to each fund or activity

The related cost of the service provided

The impact of inflation in the provision of services

Equity of comparable fees.

The revenue policy of Seminole County includes these informal policies, along with requirements for maintaining a diversified and stable revenue system to shelter the County from short-run fluctuations in any one revenue source.

### **Revenue Summaries**

As part of the annual budget process, a consolidated summary of revenue sources will be prepared and incorporated into the County's budget documents.

## **Ad Valorem Taxes**

The use of ad valorem tax revenues will be generally limited to the following funds:

- General
- Transportation Trust
- Fire
- Environmentally Sensitive Lands
- Debt Service
- Trails Construction Debt Service

## **Gas Taxes**

The use of gas tax revenues will be generally limited to the following funds:

- Transportation Trust
- Mass Transit
- Local Option Gas Tax Refunding
- Bond Series 1993 Debt Service
- Road Bonds Series 1992 A Debt Service
- Road Bonds Series 1992 B Debt Service

## **Sales Taxes**

The use of state shared sales tax revenues will be generally limited to the following uses:

- General
- Capital Improvements
- Debt Service
- Infrastructure Improvement

## **Impact Fees**

Seminole County shall require development activity to pay fair share fees for new capital equipment and facilities or expansion of existing equipment and facilities. Fees shall not exceed a pro rata share of the

reasonably anticipated costs of such improvements.

Impact fees have been implemented for roads, libraries, fire/rescue, and water & sewer.

## **Utility/Telecommunications Taxes**

Utility and telecommunications taxes are levied on purchases of utilities and telecommunications services. It provides additional revenue necessary to maintain adopted levels of service for unincorporated transportation facilities, Fire/Rescue, Stormwater, and Seminole Government Television.

## **Tourist Development Tax**

Use of tourist development tax revenues will be generally limited to the Tourism Development Fund and Tourist Development Tax Debt Service Fund.

## **Grants**

Only such grants as can reasonably be expected to be received will be considered as revenue sources for budget development purposes. The County shall amend its budget to reflect additional grants received during the budget year.

## **Restricted Revenues - Bonds**

Revenues which have been pledged to bondholders will be restricted and shall conform in every respect to bond covenants.

## **Countywide Revenues**

Revenues collected on a countywide basis will be allocated only to funds which provide countywide services.

## **User Fees**

User fees, where appropriate, should be established to offset the cost of providing specific services, and will be reviewed annually.

## **Private Contributions**

The County provides many services to its residents that enhance the "quality of life" in our county.

To the extent possible, efforts should be made to secure private contributions, whether in the form of volunteer services, equipment, or cash contributions. This is particularly important in helping defray taxpayer burden of providing programs and activities that may be considered primarily "quality of life" in nature, such as various community services, cultural and recreational activities.

## **EXPENDITURE POLICIES:**

### **Community Service Agencies**

As part of its annual budget process, the County sets aside an amount of funding to be granted to various community agencies that provide valuable services to the County's residents.

Because of increasing demands on the County's limited resources, the Board of County Commissioners determines a total maximum to be allocated. In the event that a grant recipient requests additional County funding, such request will be considered independent of the allocation process.

## **Grant Supported County Programs**

Seminole County supports a variety of programs that depend on additional grants for partial funding. If reductions occur in such grant funding amounts, program service levels will be streamlined or reduced. Additional County support will not be provided to compensate for the reduction in outside funding.

Full recovery of annual and sick leave for employees working under a grant shall be undertaken.

## **Performance Measures**

The County will develop "performance measures" for each of its departments in order to assure that maximum productivity is being achieved.

Where performance measures demonstrate that activities could more cost-effectively be provided by outsiders, contracting out of such activities will be considered.

Performance measures will also provide management with criteria to use in evaluating departmental requests for increased funding levels.

## **Categorization of Services**

The County will segregate its budget into two distinct categories in order to set priorities for allocating available money. Categories are as follows:

Basic Services - Services that are best performed at the County level and are associated with protecting the health and safety of citizens. Legally

mandated services or commitments are also included in this category. Budgetarily, funding represents maintaining current service levels.

Service Enhancements - An improvement and/or enhancement to the programmatic service level.

### **RESERVE POLICIES:**

A formally adopted reserve policy is an important factor in maintaining the fiscal health of Seminole County. There are three primary types of reserves:

- Operating Reserves
- Capital Reserves
- Debt Reserves

The degree of need for these reserves differs based on type of fund or operation involved. However, one policy statement for each type of reserve can be uniformly applied to most funds (excluding enterprise funds, which are subject to various regulatory requirements).

Board approval is required to move funds from reserve accounts into expenditure line items.

#### **Operating Reserves**

It is the County's goal to maintain adequate undesignated reserves in operating funds to provide a buffer against revenue fluctuations and unforeseen emergencies. Two types of undesignated operating reserves are appropriated in the budget:

- Contingency Reserves
- Cash Carry Forward Reserves

### **Capital Reserves**

Capital reserves are established primarily to set aside funds to provide for additional future projects, or additions to existing budgeted projects, which may be deemed appropriate for funding after the annual budget is adopted.

### **Debt Reserves**

Debt reserves are established to protect bondholders from payment defaults. Adequate debt reserves are essential in maintaining good bond ratings and the marketability of bonds.

The amount of debt reserves is established by bond indenture in association with each bond issuance.

### **DEBT POLICIES:**

A formal debt policy is an important factor to insure the most efficient methods of financing are utilized by the county resulting in the lowest total cost of borrowing. It is the County's policy to use competitive bidding, whenever possible, for all debt issued by the County. The complexity of the debt issuance process varies depending on the type of financing requiring the County to employ qualified consultants (bond counsel, financial advisors, independent accountants, etc.) to assist the County in obtaining the most cost effective financing.

County staff and consultants should adhere to the following guidelines in structuring each debt issuance.

## **Method of Financing**

The County will use a "pay as you go" policy unless internal funding is not sufficient to meet capital needs or future citizens will realize a significant portion of the benefit of a project.

## **Financing Parameters (Guidelines)**

Projects will not be financed for greater than the useful life of the improvement.

Whenever economically feasible, the County will use revenue, special assessment or other self-supporting bonds instead of general obligation bonds.

The County will use the competitive method of sale unless one or more of the following conditions exists:

1. Unstable market conditions which require flexibility in pricing or precise timing which would not be expected through a competitive sale.
2. Concerns regarding credit quality and availability of credit enhancements.
3. Security for repayment is new, unproven or may be perceived as unreliable by the market.
4. Innovative or unusual structuring techniques are required.
5. Changes or anticipated changes in laws or regulations would make prompt sale of bonds desirable.

Credit enhancement will be utilized when necessary to lower total borrowing costs.

The County will competitively bid investment of escrow funds for advance refundings if it is expected that bids will result in lower costs and the required securities are available in the market.

## **Debt Issuance Plans**

The County will include debt issuance plans in its long-term capital plan.

## **CAPITAL IMPROVEMENT POLICIES:**

### **Five-Year Program**

The County will develop a five-year Capital Improvements Program as part of each year's annual budget process, and will make all capital improvements in accordance with the adopted annual County budget.

The County will identify the estimated costs and potential funding sources for each capital project before it is submitted to the Board of County Commissioners as a component of the five-year program.

### **Operating Costs**

Costs of operating and maintaining all proposed projects will be identified and incorporated in five-year financial projections.

### **Capital Financing**

The County Manager will determine and recommend to the Board of County Commissioners the least costly financing method for all capital projects.

## **Renewal and Replacement**

The County shall develop and implement a program for identifying, scheduling and budgeting renewal and replacement of capital facilities.

These policy statements apply to County funds in general. Federal, state and local laws, regulations and standards and specific financial policies may supersede these statements.

